

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

Market-Dominant Price Change

Docket No. R2021-1

CHAIRMAN'S INFORMATION REQUEST NO. 2  
AND NOTICE OF FILING UNDER SEAL

(Issued October 20, 2020)

To clarify the information provided by the Postal Service in its Notice of Market Dominant Price Change, filed October 9, 2020,<sup>1</sup> the Postal Service is requested to provide written responses to the following questions. Answers to the questions should be provided no later than October 26, 2020.

**Inbound Letter Post**

1. Please refer to Library Reference USPS-LR-R2021-1-NP1, October 9, 2020, Excel file "Inbound CAPCALC-R2021.xlsx" (Inbound Letter Post file). Please refer also to the International Bureau (IB) Circular 145<sup>2</sup> and IB Circular 99.<sup>3</sup>
  - a. Please refer to tab "Terminal Dues" of the Inbound Letter Post file, cells U7, U9, and U12. Please confirm that the undifferentiated rates per kilogram (kg) in the referenced cells apply to Inbound Letter Post format P/G flows to the United States from Group I countries with a total annual

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<sup>1</sup> United States Postal Service Notice of Market-Dominant Price Change, October 9, 2020 (Notice).

<sup>2</sup> IB Circular 145, Provisional 2020 quality of service-linked terminal dues rates, October 5, 2020 (IB Circular 145), which supersedes IB Circular 113, March 16, 2020.

<sup>3</sup> IB Circular 99, Self-declared rates for E format letter-post items for flows to and from the designated operator invoking the accelerated implementation clause with effect from 1 July 2020 – provisional rates applicable to flows undifferentiated by format or under the sampling threshold, July 13, 2020 (IB Circular 99).

weight of format P/G and format E items below 50 tonnes (cell U7), and from Group II and Group III countries with a total annual weight of format P/G and format E items between 25 and 50 tonnes (cells U9 and U12, respectively), between January 1, 2020 and June 30, 2020.<sup>4</sup> If confirmed, please refer to question 1.d. below. If not confirmed, please explain.

- b. Please refer to IB Circular 99, Tables I.1, II.1, and III.1. Please confirm that from July 1, 2020, to December 31, 2020, Inbound Letter Post flows to the United States referenced in question 1.a. above are subject to the undifferentiated rates per kg listed in Tables I.1, II.1, and III.1 of IB Circular 99. If confirmed, please refer to question 1.d. below. If not confirmed, please explain.
- c. Please refer to tab "IB PG Calculation" of the Inbound Letter Post file. Please confirm that the calendar year (CY) 2020 revenue in column N, for countries referenced in question 1.a. above, is calculated based on undifferentiated rates per kg referenced in question 1.a. and these countries' respective total Fiscal Year (FY) 2019 format P/G weight. If confirmed, please refer to question 1.d. below. If not confirmed, please explain.
- d. If questions 1.a. - 1.c. above are confirmed, please explain why the Postal Service did not apply the undifferentiated rates per kg referenced in question 1.a. above to one half of FY 2019 Inbound Letter Post format P/G weight and the undifferentiated rates per kg referenced in question 1.b. above to the other half of FY 2019 Inbound Letter Post format P/G weight from these countries when calculating their CY 2020 revenue.

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<sup>4</sup> See IB Circular 145, Table I.3 (cell U7), Table II.3 (cell U9), and Table III.3 (cell U12).

2. Please refer to the Inbound Letter Post file. Please refer also to Docket No. CP2019-155, Response to CHIR No. 2.<sup>5</sup>
- a. Please refer to tab “Terminal Dues,” cell U14 of the Inbound Letter Post file. Please confirm that the undifferentiated rate per kg found in cell U14 applies to Inbound Letter Post flows from all Group IV countries between January 1, 2020 and June 30, 2020. If confirmed, please refer question 2.d. below. If not confirmed, please explain.
  - b. Please refer to Docket No. CP2019-155 Response to CHIR No. 2. The Postal Service states that it “will sample and exchange country-specific estimates with ... Group IV operators whose volumes exceed 100 tonnes” for the purpose of exchanging country-specific estimates for settlement purposes.<sup>6</sup> Please confirm that the Postal Service has sampled flows above 100 tonnes from Group IV countries, starting on July 1, 2020, and that it has charged Inbound Letter Post format P/G flows from these countries applicable per item and per kg terminal dues rates. If confirmed, please refer to question 2.d. below. If not confirmed, please explain.
  - c. Please refer to tab “IB PG Calculation” of the Inbound Letter Post file. Please confirm that the CY 2020 revenue in column N, for countries referenced in question 1.b.above, is calculated from the undifferentiated rate per kg referenced in question 2.a. above and these countries’ respective total FY 2019 format P/G weight. If confirmed, please refer to question 2.d. below. If not confirmed, please explain.
  - d. If questions 2.a. - 2.c. above are confirmed, please explain why the Postal Service did not apply the undifferentiated rate per kg referenced in

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<sup>5</sup> Docket No. CP2019-155, Responses of the United States Postal Service to Questions 1-2 of Chairman’s Information Request No. 2, November 8, 2019 (Docket No. CP2019-155 Response to CHIR No. 2).

<sup>6</sup> See Docket No. CP2019-155 Response to CHIR No. 2, question 1.b.

question 2.a. above to one half of FY 2019 format P/G volume and the applicable per item and per kg rates to the other half of FY 2019 format P/G volume when calculating CY 2020 revenue from Group IV countries whose volumes exceed 100 tonnes.

3. Please see Attachment, filed under seal.
4. Please refer to the Inbound Letter Post file, tab “Air Conveyance.” Please refer also to the Second Additional Protocol, Article VI, paragraph 6, which states “...where the terminal dues levied by the designated operator of destination are based specifically on costs, domestic rates or self-declared rates set under article 28bis, no additional reimbursement for internal air conveyance shall be made.”<sup>7</sup>
  - a. For the periods January 1, 2020 to June 30, 2020, July 1, 2020 to December 31, 2020, and CY 2021, please identify the applicable tonnage threshold for each country group under which internal air conveyance (IAC) rates will apply.
  - b. Please provide revised financial workpapers which include three separate columns identifying the countries subject to paying the IAC rate based on FY 2019 inbound format P/G and format E weight for each of the periods referenced in question 4.a. above.
  - c. Please refer to column O of the “Air Conveyance” tab. Please confirm that the weight included in column O represents FY 2018 Inbound Letter Post air format P/G (ALC\_PG) weight for the countries listed in column L. If confirmed, please revise the financial workpapers to replace the values in column O with three separate columns which include ALC\_PG weight

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<sup>7</sup> See Decisions of the 2019 Geneva Extraordinary Congress, Second Additional Protocol to the Universal Postal Convention, Article VI, paragraph 6, Berne 2019, (Second Additional Protocol) available at: <https://www.upu.int/UPU/media/upu/files/UPU/aboutUpu/acts/actsOfCurrentCycle/actsActsOfTheExtraordinaryCongressGenevaEn.pdf>.

corresponding to the countries identified in question 4.b. above and the periods referenced in question 4.a. above, for which the Postal Service will charge IAC rate based on FY 2019 inbound format P/G and format E weight.

5. Please refer to tab "IB PG Calculation," column AC of the Inbound Letter Post file.
  - a. Please confirm that the rate classifications found in cells AC39, AC101, and AC139 should be "Group IILow Volume Blended Rates" and not "Group IIUPU Exception Rates" as currently assigned. If confirmed, please refile the financial workpapers. If not confirmed, please explain.
  - b. Please confirm that the rate classification found in cell AC156 should be "Group IIILow Volume Blended Rates" and not "Group IIIUPU Exception Rates" as currently assigned. If confirmed, please refile the financial workpapers. If not confirmed, please explain.
  - c. Please confirm that the rate classification found in cell AC160 should be "Group IIISeparate PG and E rates" and not "Group IIILow Volume Blended Rates" as currently assigned. If confirmed, please refile the financial workpapers. If not confirmed, please explain.

### **USPS Marketing Mail**

6. Please refer to the Notice, Attachment A. On page 26 of Attachment A, the proposed Mail Classification Schedule (MCS) revisions with respect to USPS Marketing Mail High Density and Saturation Flats/Parcels appear to make the Picture Permit Imprint Indicia incentive applicable to both flat- and letter-shaped mailpieces. However, on page 30 of Attachment A, the same incentive appears to be restricted to "Flats Only." Please explain this potential discrepancy and, if necessary, re-submit Attachment A with any necessary revisions.

**First-Class Mail**

7. Please see Notice at 9-11. Please provide a detailed analysis of how the \$0.05 increases for the additional-ounce price for letters and the non-machinable surcharge for letters are designed to help achieve the objectives listed in 39 U.S.C. § 3622(b) and properly take into account the factors listed in 39 U.S.C. § 3622(c). In the response, please specifically explain the Postal Service's references to Objectives 2 and 4, and Factor 3.
8. Please refer to §§ 1110.4, 1115.4, 1220.5, and 1225.5 of the Postal Service's proposed MCS language in Attachment A. Please explain why Seamless Acceptance is included as an optional feature for USPS Marketing Mail Letters and Flats, in §§ 1220.5 and 1225.5, but not for First-Class Mail Presorted Letters and Postcards and Flats in §§ 1110.4 and 1115.4, and, if necessary, re-submit Attachment A with any necessary revisions.

**Periodicals**

9. In Excel file "Attachment B R2021-1.xlsx," tab "Per.Bundle-Container Pricing," cell "A58," tray pricing by entry point was added.
  - a. Please provide the source for the bottom-up costs reported in cells "D61-D84."
  - b. The bottom-up costs for trays appear to be identical to the bottom-up costs for sacks reported in cells "D33-D56."
    - i. Please confirm that the bottom-up costs for sacks are used as a proxy for trays.
    - ii. If confirmed, please explain why the bottom-up costs for sacks are an appropriate proxy for trays. In the response, please discuss whether the Postal Service intends to develop separate bottom-up costs for trays in the future.

- iii. If not confirmed, please explain how the bottom-up costs for trays were developed.

### **Special Services**

Please refer to Library Reference USPS-LR-R2021-1/5, October 9, 2020, Excel files “R2021-1 Special Services CapCalc.xlsx” (CAPCALC) and “Q4 FY19 to Q3 FY20 Special Services Hybrid Year.xlsx” (Billing Determinants). For any responses that require a change to either the CAPCALC file or Billing Determinants file, please resubmit updated versions of those respective files.

- 10. Please refer to tab “F-12 Signature Confirmation” in the CAPCALC file. This question pertains to a possible instance of double counting.
  - a. Please confirm that the value in cell C11 (7,898) is used in the formulas to calculate the products of both cell H11 and cell H12. If not confirmed, please explain.
  - b. Please confirm that the sum of cells C7, C8, C9, C11, and C13 is 27,179,056. If not confirmed, please explain.
  - c. If question 10.b. is confirmed, please reconcile the sum in question 10.b. with the value of 27,186,954 in cell H14.
- 11. Please refer to tab “G-3 Certificates of Mailing” in the CAPCALC file. Cell C43 reports a volume of 13,903,935, which is taken from the Billing Determinants file, while cell H15 reports a volume of 8,963,962.
  - a. Please confirm these numbers are correct. If not confirmed, please explain.

- b. If question 11.a. is confirmed, please further confirm that the explanation provided in Docket No. R2018-1 continues to be accurate.<sup>8</sup>
  - c. If question 11.a., 11.b., or both are not confirmed, please explain and file revised workpapers.
- 12. Please refer to tab “J-1,2,3 Other Income” in the Billing Determinants file. Please provide the quarterly volumes for all three products on this tab. If the quarterly volumes are unavailable, please explain.
- 13. Please refer to tab “K-1 ComputDelivSeq” in the CAPCALC file. Cell C9 reports 219 transactions while cell F9 reports a volume of 216,811,581.
  - a. Please confirm these numbers are correct.
  - b. If question 13.a. is confirmed, please further confirm that the explanation provided in Docket No. R2018-1 continues to be accurate.<sup>9</sup>
  - c. If question 13.a., 13.b., or both are not confirmed, please explain and file revised workpapers.

By the Chairman.

Robert G. Taub

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<sup>8</sup> Docket No. R2018-1, Response of the United States Postal Service to Questions 1-12 of Chairman’s Information Request No. 2, question 3, October 20, 2017 (Docket No. R2018-1, Response to CHIR No. 2).

<sup>9</sup> See Docket No. R2018-1, Response to CHIR No. 2, question 5.